

SENATE BILL 1583

By Herron

AN ACT to amend Tennessee Code Annotated, Title 45,
Chapter 15, Part 1, relative to title pledges.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 45-15-111(a), is amended by deleting the language "such fee may equal no more than one fifth (1/5) of the original principal amount" and by substituting instead the language "such fee may equal no more than fifteen percent (15%) of the original principal amount".

SECTION 2. Tennessee Code Annotated, Section 45-15-113(d), is amended by deleting the subsection in its entirety and by substituting instead the following new subsections (d) and (e):

(d) Notwithstanding any provision of this chapter to the contrary, beginning with the first renewal or continuation and at each successive renewal or continuation thereafter, the pledgor shall be required to make a payment of at least five percent (5%) of the original principal amount of the title pledge transaction, in addition to interest and fees authorized by this chapter. Interest and fees authorized by this chapter at each successive renewal or continuation shall be calculated on the outstanding principal balance. Principal payments in excess of the five percent (5%) required principal reduction shall be credited to the outstanding principal on the day received.

(e) If, at the maturity of any renewal requiring a principal reduction, the pledgor has not made previous principal reductions adequate to satisfy the current required principal reduction, and the pledgor cannot repay at least five percent (5%) of the original principal balance and any outstanding interest and fees authorized by this chapter, the title pledge lender may, but shall not be obligated to, defer any required principal payment until the end of the title pledge agreement or property pledge

agreement. No further interest or fees may accrue on any such principal amount thus deferred. This subsection (e) shall not be used to defer principal reduction payments for more than three (3) renewals of a title pledge agreement, whether consecutive or intermittent. Use of this subsection (e) routinely to reduce or eliminate the amount of principal reduction payments required by subsection (d) is a misuse of this subsection in order to obtain greater charges than otherwise would be authorized by this chapter in violation of § 45-15-115.

SECTION 3. This act shall take effect July 1, 2007, the public welfare requiring it, and shall apply to all contracts entered into, renewed or amended on or after that date.